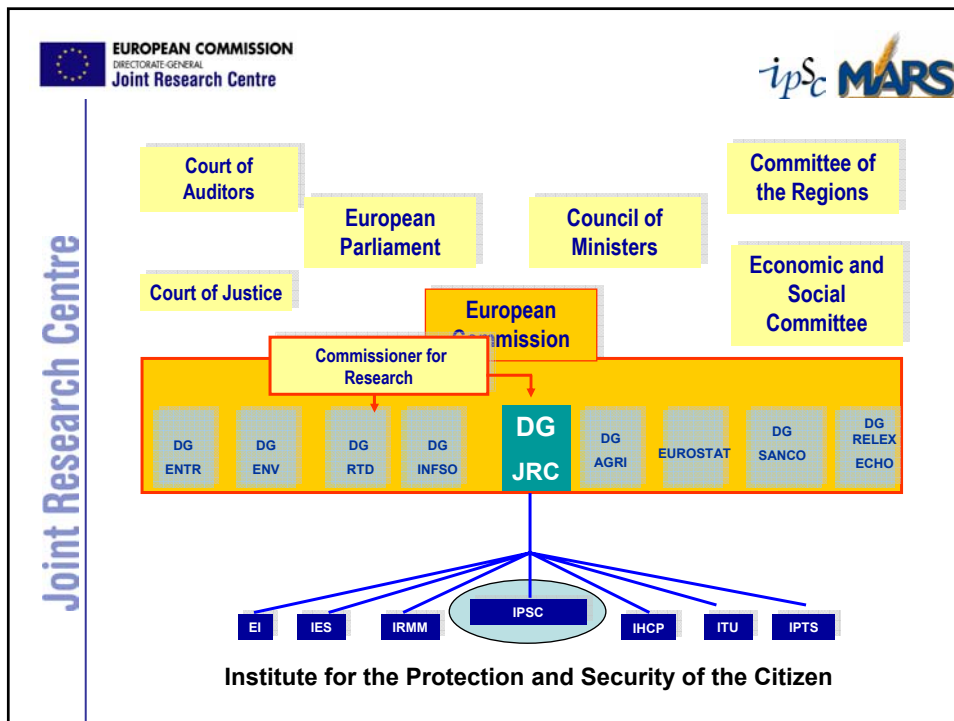


# The Common Agricultural Policy

Origins, evolution, effects

Simon Kay





# JRC Mission

Joint Research Centre

- To provide scientific and technical support for the conception, development, implementation and monitoring of European Policy
- Role of the MARS-PAC project?
  - Has since 1992 supported DG AGRI in monitoring agriculture with advanced geographic techniques (Remote Sensing, Geographic Information Systems, GPS)
- Since 1997, technical reference point for the implementation of the CAP (area based subsidies)
  - For DG AGRI
  - For the Member States
  - Since 2000 also for Candidate Countries

## the CAP - an evolving policy



## Origins of the CAP

- Stresa conference (1958):
  - CAP to enact a free market of agricultural products *inside* the EEC;
  - establish protectionist policies that guaranteed sufficient revenues to European farmers;
  - avoid competition from third countries' products by guaranteeing agricultural prices.

<http://www.historiasiglo20.org/europe/traroma.htm>

## 1962: implementation

- Three major principles had been established to guide the CAP;
  - market unity,
  - community preference
  - and financial solidarity.
- The Agricultural Council was (and is) the main decision-making body for CAP affairs
  - “*unanimity is needed for most serious CAP reform votes, resulting in rare and gradual change.*”

[http://en.wikipedia.org/wiki/Common\\_Agricultural\\_Policy](http://en.wikipedia.org/wiki/Common_Agricultural_Policy)

## 1970's, 1980's

- Payment linked to production:
  - Internal market intervention used to maintain prices above world market levels
- External market:
  - import tariffs/export subsidies
- Wide scope for fraud (“recycling”)
  - Beef, milk, wine, olive oil, grain...
- Lakes, mountains... of butter, wine, meat, cereals... created by intervention

## 1992

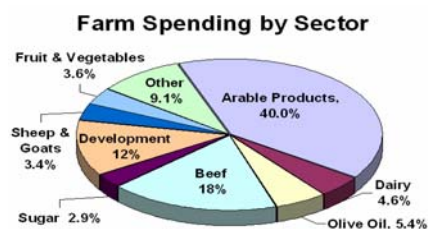
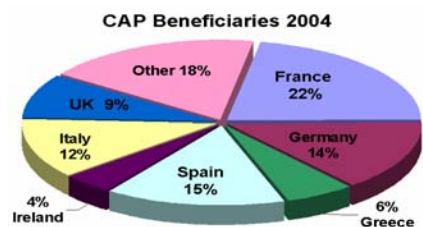
- 1<sup>st</sup> major reform: “MacSharry”
  - Integrated Administration and Control System
- Payments linked to area (as well as crop)
- Payment rates reduced progressively to market levels
- Increased information collection at farm level (cropping declaration)
- Many member states move to geo-information for payment management

## 2000: information reform

- Using experience on information management derived from 9 member states, the Agricultural Council approves changes (Council Reg 1593/2000) for the remaining six (FR, DE, UK, ES, AU, LU)
- Requirement to use **Geographical Information Systems** as a basis for identifying farmers' fields
- Steps taken towards further reform ideas

## CAP, up until 2003 reform

- Represents about 43% of EU budget
  - In part because EU budget is rather narrowly defined in terms of policy
  - Biggest beneficiaries are:
    - FR, ES, DE, IT, UK
    - Arable; beef; olive oil
    - Rural Development



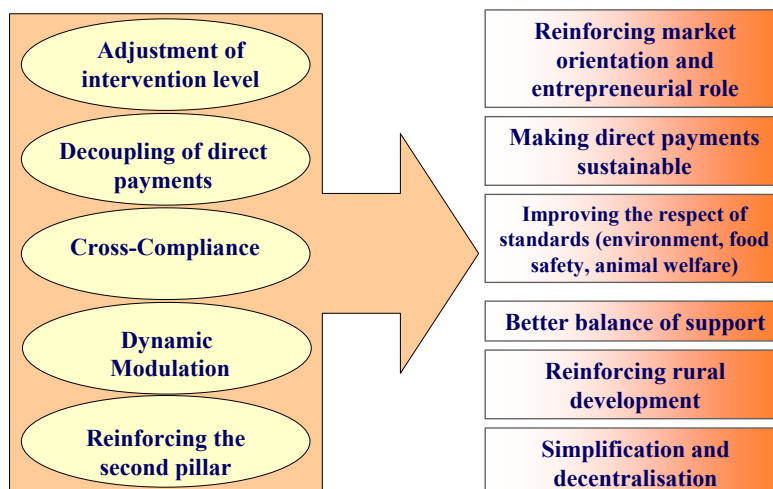
[http://en.wikipedia.org/wiki/Common\\_Agricultural\\_Policy#The\\_CAP](http://en.wikipedia.org/wiki/Common_Agricultural_Policy#The_CAP)

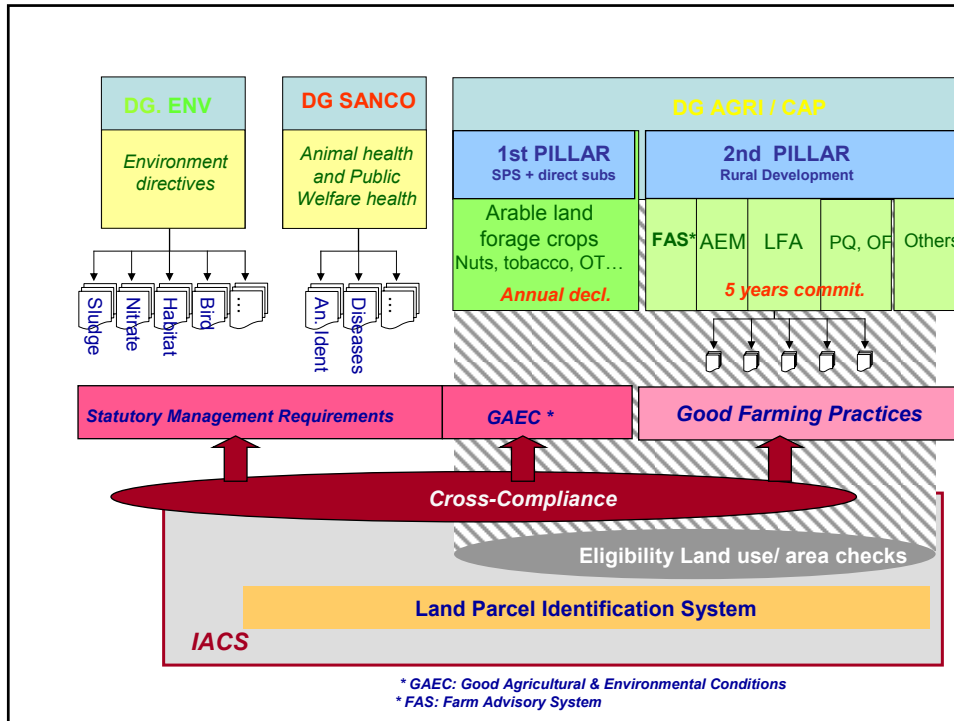
## Key elements of the 2003 reform of the CAP

- A single farm payment for EU farmers, independent from production;
  - limited coupled elements may be maintained to avoid abandonment of production,
- this payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards,
  - as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),
- a strengthened rural development policy with more EU money,
  - new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- a reduction in direct payments ("modulation") for bigger farms
  - to finance the new rural development policy,
- a mechanism for financial discipline
  - to ensure that the farm budget fixed until 2013 is not overshot

Source: [http://ec.europa.eu/agriculture/capreform/index\\_en.htm](http://ec.europa.eu/agriculture/capreform/index_en.htm)

## The CAP, 2005 and beyond





## Cross compliance



- Link to enactment of requirements in various Directives
  - That have applied for perhaps decades!
- For example, water, nature areas, soils...

# Rural development

- Six strategic guidelines are:
  - Improving the competitiveness of the agricultural and forestry sectors
  - Improving the environment and the countryside
  - Improving the quality of life in rural areas and encouraging diversification
  - Building Local Capacity for Employment and Diversification
  - Translating priorities into programmes
  - Complementarity between Community Instruments
    - » [http://ec.europa.eu/agriculture/rurdev/index\\_en.htm](http://ec.europa.eu/agriculture/rurdev/index_en.htm)
- EU 25 Budget 2007-2013: €77.6 Billion
  - » Commission Decision 2006/636/EC
- 2000-2006 Represents about €6 billion of CAP expenditure





## Looks familiar?

- The Inclosure Acts of the 17<sup>th</sup> and 18<sup>th</sup> century in England were the “Common Agricultural Policy” of that time?
- Motivated by:
  - Elite, landowners, political organisation
  - Strong degree of market-oriented capitalism
  - Cereal prices
  - Strive for efficiency
  - Rental values

## Objectives of inclosure

- Protection of investment
- Reorganisation of land for economic means
- Inclosure of common land
  - to restrict “free commoner” usage
- Perhaps a reaction to:
  - grain market instability
  - Malthusian conditions
  - start of “virtuous” circle leading to industrial revolution



## An old IACS database... 1796

	A	R	P	L	S	D	A	R	P	L	S	D
Rev <sup>d</sup> Alexander Cromie-Lohne	10	3	26	15	2	93	10	3	26	15	2	93
Allocation for Glebe Lands												
Old Inclosures												
Rectory Homestead	1	2	23	2	9	14						
Foot Bank	1		20	1	13	9						
Corn Close	2	1	32	4	10	8 1/2						
Part of a Garden			37			6 1/11						
Part of a taken in Exchange of Mercers Com		1	7 1/2			10 10 1/2						
Part of a Close		2	16			1 1/4						
Part of a taken in Exchange of Mercers Com		3	26			1 16 8						
Cottage and Garden taken in Part of the		7	2			3	7	2	4	13		1
Sir John B. Riddell Bart												
Allocation							71	3	1	80	19	4 1/2
Old Inclosures												
Homestead		2	25			10 7 1/2						
Foot Close		2	9	32		3 3 1/2						
Part Close and Hedges Orchard taken		2	3	1		4 17 9 1/2						
Part Exchange of Mercers Company		2	3	39		4 3 10						
Part Exchange of John Weston		2		15		3 4 11						
Part taken in Exchange of Mr S. Greathead		4		37		5 11 3						
Part Close taken in Exchange of Mercers Com		1	3	25		2 9 10 1/2						
Part Close taken in Exchange of Mr		7		14		6 7 1/2						
Part Close taken in Exchange of Mr with Barn				32		3						
Part in Mr James Holm				11		2 1	24	3	3	33	10	6 1/2
Cottage and Garden												
William Praed Esq												
Allocation for Lands and Commons	4	3	27	5	13	10						

<http://www.mkheritage.co.uk/shhs/maplist.htm>

## CAP: cause and effect?

Some examples

## Regulatory basis: the reform

- Council Reg 1782/2003 includes
  - Two chapters on definitions and fundamental concerns (information management, financial discipline)
  - A chapter on the “Single Payment Scheme”
  - A chapter on “Other aid schemes”
    - Durum wheat, Protein crops, rice, nuts, energy crops, starch potato, dairy, seeds, sheep & goats, beef and veal, specific regional aid for arable crops, grain legumes.

## Durum wheat cropping, Portugal

### *Article 72*

#### **Scope of application**

Aid shall be granted to farmers producing durum wheat falling within CN code 1001 10 00, under the conditions laid down in this Chapter.

### *Article 73*

#### **Amount and eligibility**

1. The aid shall be EUR 40 per hectare.
2. Granting of payments shall be subject to the use of certain quantities of certified seeds of varieties recognised, in the production zone, as being of high quality for the production of semolina or pasta.

## Durum wheat maximum areas:

### *Article 74*

#### **Areas**

1. The aid shall be granted for national base areas in the traditional production zones listed in Annex X.

The base area shall be as follows:

Greece	617 000 ha
Spain	594 000 ha
France	208 000 ha
Italy	1 646 000 ha
Cyprus	6 183 ha
Hungary	2 500 ha
Austria	7 000 ha
Portugal	118 000 ha.

## Cropping evolution, Portugal

- Based upon information reported by the MS to the Commission (from IACS aid applications)
- 2004: 152 000ha
- 2005: 2 596ha
- 2006: 2 600ha (estimated)
  
- Why?

## Why?

- Single Payment Scheme (SPS) subsidies integrate historical payments
  - No need to plant a specific crop to get paid
- World Market values of durum wheat sales don't reflect costs to the farmer
  - Special seed, particular crop management
- Shift in location of SPS land – away from high quality arable land to marginal low quality land



## Protecting stone walls



## Management of hedgerows - Restrictions on dates for cutting/ trimming to protect wildlife\*







**General management of land  
not wholly in agricultural production  
Minimum level of maintenance: cut 50% of area  
each in year 4 and 5.**











## Olive trees

- 1996: claims between member states and Commission concerning re-imports of oil
- Commissioner requests survey to clarify how many trees
  - i.e., definition of each country's production potential
- The "Olistat" project is born...

## Olistat, 1997/1998

- **Objective:**
  - "to lay out as soon as possible a reliable estimate of the number olive trees for each Member State concerned (Spain, France, Italy, Greece and Portugal)."
- **Method:**
  - **Aerial photography acquisition** at an average scale of the 1/40.000 for Spain, France and Greece (use of existing photographs in Italy, Portugal and part of Greece).
  - **Definition of the zone of interest**, for each MS.
  - **Definition of a systematic sample design** at two levels (PSU, SSU).
  - **Computer aided photo-interpretation** of the number of olive trees per sampled PSU.
  - **Field visits**, for between 10% and 20% of the sample plots, so as to eliminate confusion between olive trees and other woody species in the photointerpretation process, and to determine the proportions of multiple-trunk and young trees.
  - **Extrapolations to national levels** using statistical estimators.

## Olistat results

Member State	Abundance Index <sup>+</sup> , G <sub>j</sub>	Total, Difference Estimator <sup>*</sup>	D %	Confidence interval (2s)	"Young" trees <sup>#</sup>
Italy	169.1M	224.7M	+33%	+/- 3.4%	32.1M (14.3%)
Spain	209.9M	299.5M	+43%	+/- 4.2%	50.1M (16.7%)
Portugal	44.8M	71.14M	+59%	+/- 4.6%	5.3M (7.5%)
France	2.838M	5.69M	+100%	+/- 11.4%	0.71M (12.5%)
Greece	150.71M	155.9M	+3.5%	+/- 4.6%	17.4M (11.0%)

<sup>+</sup>Using data available at start of study

<sup>\*</sup>Not including trees in zones excluded from project

<sup>#</sup>Young trees included in Diff. Est. total

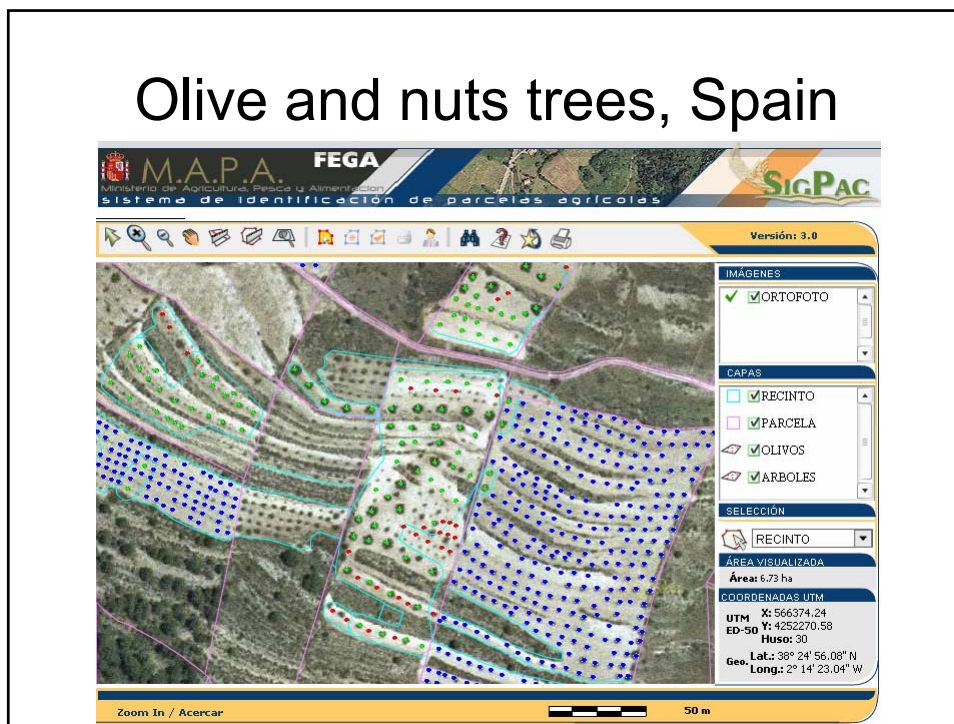
## Oliarea: 1998/1999

- Now the Commission asks for the area cropped...
  - Requires a 2<sup>nd</sup> field survey, and a new estimate of tree population
    - Spain: 299M -> 309M (+10M trees)
    - Italy: 225M ->237M (+12M trees)
    - France: 6M -> 6.5M (not significant)
    - Portugal 71M-> 72M (not significant)
    - Greece 156M -> 162M (just significant)
- What was going on?

## The 1998 oil reform

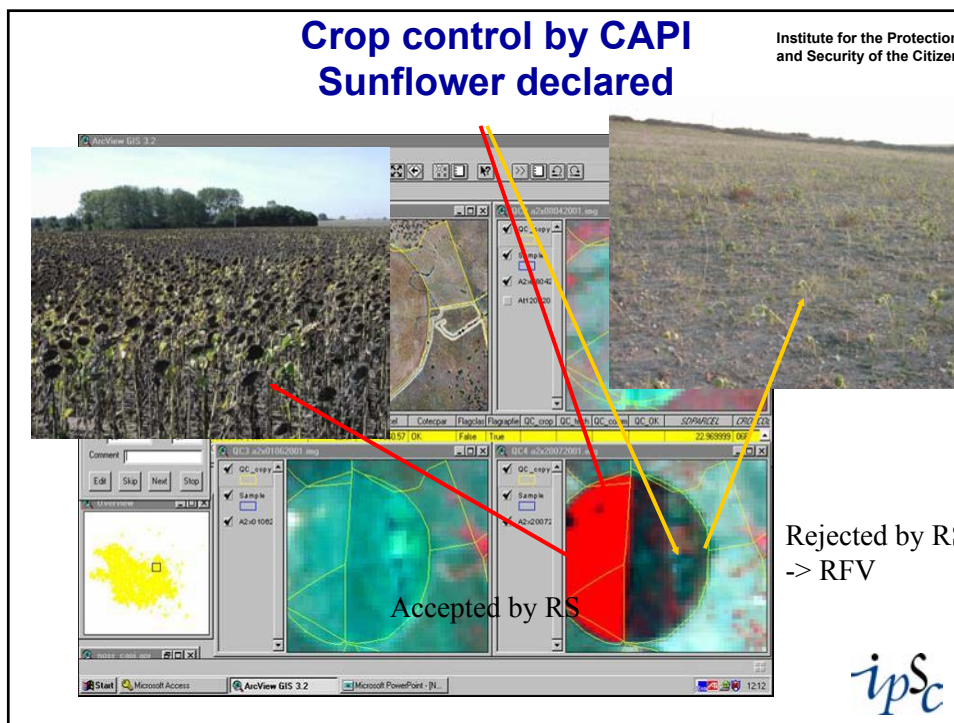
- Negotiations were oriented towards:
  - Numbers of trees, or areas of olive groves
  - Limit date for “new” eligible trees set to May 31 1998
  - Farmers perhaps planted trees speculatively to ensure eligibility for future payments

# Olive and nuts trees, Spain



## Crop control by CAPI Sunflower declared

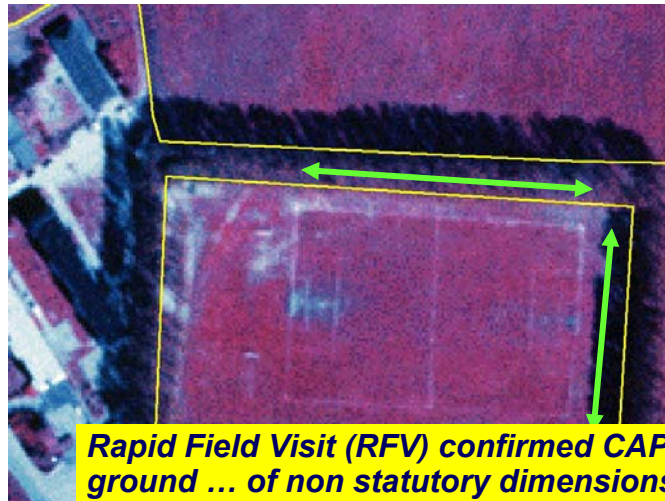
Institute for the Protection and Security of the Citizen



ipSc

## RS Controls - landuse control

*not only land cover checked...*

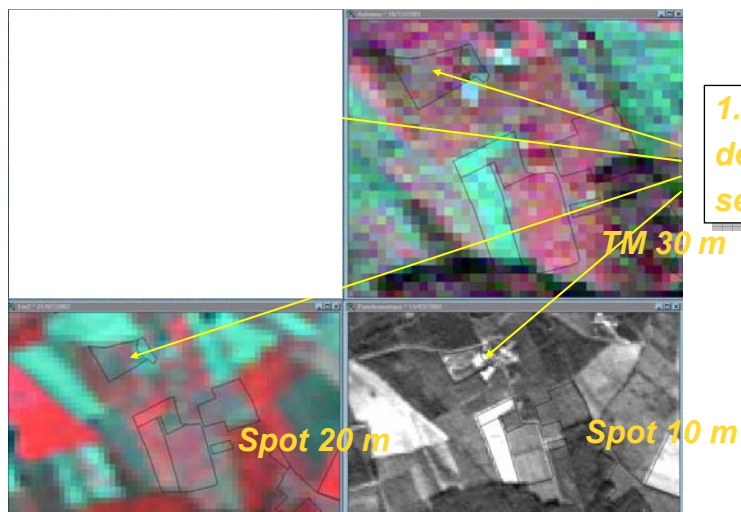


**1.5 ha parcel  
declared  
as simple  
set-aside  
(Germany)**

**Rapid Field Visit (RFV) confirmed CAPI: football  
ground ... of non statutory dimensions (105 x 68 m) !**

## Landuse control by CAPI

*On different types of satellite imagery*



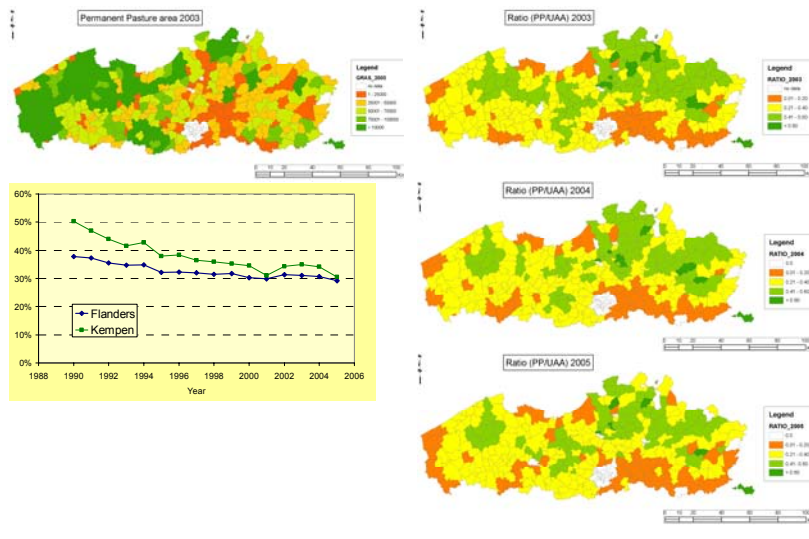
**1.6 ha parcel  
declared as  
set aside...**

**TM 30 m**

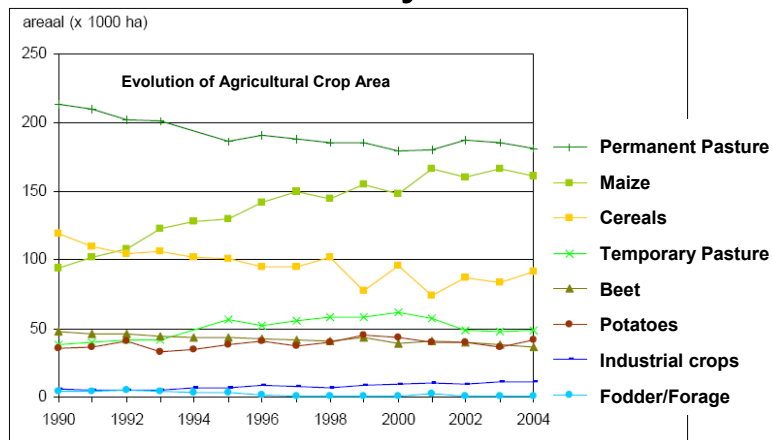
**Spot 20 m**

**Spot 10 m**

# Belgium (Flanders): Pasture land and Maize crops



## Why?

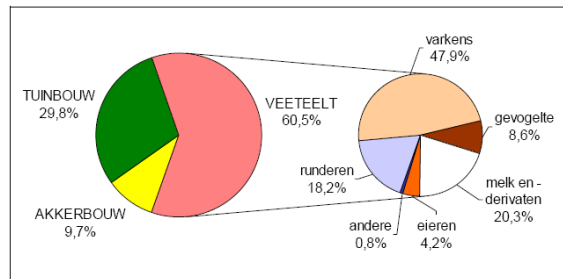


Source: NIS

- The ratio Total Pasture to UAA decreased from 42,5 % in 1990 to 37,8 % in 2004
- 1990-2000: PP substituted with temporary pasture, mais & industrial crops (-32 428 ha or -15 %)
- In 1999 (NIS) PP/UAA = 29.1%;
- In 2005 (NIS): PP/UAA = 27.5%

## What is happening with Maize?

- Livestock (pigs, cattle) is important business
- Getting rid of manure is a big problem
- Maize is a solution...
  - Maintaining the Permanent Pasture in a country is an obligation under the reformed CAP



## Summary

- The CAP is the continuation of a long history of intervention in agriculture
- Effects are mostly intentional
  - To influence the market
  - To influence supply
  - More and more:
    - To reflect citizens' concerns for quality, environment and safety
- Unintended effects: need to be identified and addressed, but are secondary